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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED
JUNE 30, 1992 COMMISSION FILE NO: 0-

ELMWOOD BANCORP, INC.
(Exact name of registrant as specified in its charter)

PENNSYLVANIA	23-2682493
(State of incorporation or organization)	(I.R.S. Employer Identification No.)

112 Chesley Drive, Media, Pennsylvania 19063
(Address of principal executive offices; zip code)

(215) 565-8200
(Registrant's telephone number, including area code)

Indicate by checkmark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for at least 90 days.

YES __X__ NO _____

Number of shares of Common Stock, $.01 par value, outstanding at the close of business on August 1, 1992: 1,459,125

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ELMWOOD BANCORP, INC. and SUBSIDIARIES

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ELMWOOD BANCORP, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	June 30, 1992 (unaudited)	December 31, 1991
	(In thousands)	
ASSETS		
Cash and amounts due from depository institutions	$ 2,298	$ 1,798
Interest-bearing deposits	19,082	14,579
Federal funds sold	125	125
Cash and cash-equivalents	21,505	16,502
Investment securities (approximate market value-1992, $2,210; 1991, $3,173) (Note 4)	2,204	3,173
Loans receivable - net (Note 5)	166,896	167,471
Mortgage-backed securities (approximate market value - 1992, $40,826; 1991, $31,211 (Note 6)	40,314	30,242
Federal Home Loan Bank stock-at cost	1,977	1,977
Office properties and equipment, net	1,927	1,985
Real estate acquired through foreclosure	752	493
Investments in and advances to joint ventures	988	1,094
Excess cost over fair value of assets acquired (goodwill)	1,531	1,582
Accrued interest receivable on:		
Loans	1,081	1,077
Mortgage-backed securities	398	303
Investments	70	108
Prepaid and other assets	532	807
Total Assets	$240,175	$226,814
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits (Note 7)	$215,137	$202,345
Other borrowed money (Note 8)	177	183
Advances by borrowers for taxes and insurance	1,693	1,066
Other liabilities	1,112	1,585
Total liabilities	218,119	205,179
Commitments (Note 9)		
Stockholders' Equity: (Notes 11 and 12)		
Preferred stock: 10,000,000 shares authorized; none issued		
Common stock: 15,000,000 shares authorized $.01 par value per share;1,459,125 issued and outstanding	15	1,459
Additional paid-in capital	11,064	9,620
Retained earnings-substantially restricted	10,977	10,556
Total stockholders' equity	22,056	21,635
Total Liabilities and Stockholders' Equity	$240,175	$226,814

See Notes to Consolidated Financial Statements

ELMWOOD BANCORP, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,	
	1992	1991
	(In thousands)	
Operating Activities:		
Net income (loss)	$ 537	($125)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for losses	180	444
Provision for depreciation and amortization	186	198
Deferred and other prepaid loan fees	267	(18)
Amortization of:		
Loans and mortgage-backed security premiums and discounts	16	42
Goodwill	51	51
Mortgage-backed securities gains and losses	(23)	-
(Increase)decrease in interest receivable	(61)	499
(Decrease)increase in interest payable	(364)	5
(Increase)decrease in prepaid expenses and other assets	276	(326)
Decrease in other liabilities	(115)	(174)
Increase in income taxes payable and deferred	6	314
Net other	(8)	(68)
Net cash provided by operating activities	928	842
Investing Activities:		
Proceeds from sale of mortgage-backed securities	1,787	-
Purchase of mortgage-backed securities	(15,066)	(5,449)
Decrease (increase) in:		
Investments in joint ventures	106	(85)
Real estate acquired through foreclosure	(259)	-
Investment portfolio	969	(7,743)
Principal collected on longer term loans	30,423	23,844
Longer term loans originated or acquired	(27,075)	(12,701)
Purchases of premises and equipment	(108)	(26)
Net cash used by investing activities	(9,223)	(2,170)
Financing Activities:		
Net increase in demand deposits, NOW accounts and savings accounts	13,593	4,941
Proceeds from sale of certificates of deposit	27,736	29,076
Payments for maturing certificates of deposit	(28,537)	(26,468)
Increase in advances from borrowers for taxes and insurance	628	296
Dividends paid to stockholders	(116)	(116)
Repayment of other borrowed money	(6)	(600)
Net cash provided by financing activities	13,298	7,129
Increase in cash and and cash equivalents	5,003	5,801
Cash and cash equivalents:		
At beginning of year	16,502	14,291
At end of period	$21,505	$20,092
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 5,983	$ 6,551
Cash paid during the period for taxes	$ 242	$ 161

See Notes to Consolidated Financial Statements

ELMWOOD BANCORP, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Six months ended June 30,		Three months ended June 30,	
	1992	1991	1992	1991
	(In thousands, except per share data)			
Interest income:				
Interest on loans	$7,347	$8,347	$3,628	$4,147
Interest on mortgage-backed securities	1,414	943	793	473
Interest and dividends on investments	450	696	174	420
Total interest income	9,211	9,986	4,595	5,040
Interest expense:				
Deposits	5,168	6,372	2,484	3,180
Advances from the FHLB and other borrowed money	22	184	12	97
Total interest expense	5,190	6,556	2,496	3,277
Net interest income before provision for loan losses	4,021	3,430	2,099	1,763
Provision for loan losses (Note 5)	180	444	105	60
Net interest income after provision for loan losses	3,841	2,986	1,994	1,703
Other income:				
Loan fees	17	27	11	10
Checking account fees	325	321	166	160
Equity in joint ventures	2	38	1	18
Net gain on sale of investments	23	-	-	-
Other income	115	165	54	81
Total other income	482	551	232	269
Other expenses:				
Compensation and benefits	1,552	1,500	798	753
Occupancy expense	542	598	272	305
Professional fees	158	84	70	42
Federal insurance premium	228	221	114	111
Data processing costs	227	250	107	121
Bank charges	91	107	47	55
Marketing	79	120	46	68
Amortization of excess cost over fair value of net assets acquired	51	51	25	25
Other expenses	510	562	299	238
Total other expenses	3,438	3,493	1,778	1,718
Income before income taxes	885	44	448	254
Income taxes	348	169	177	105
Net income (loss)	$ 537	($125)	$271	$149
Earnings (loss) per common share (Note 9)	$0.37	($0.09)	$0.19	$0.10

See Notes to Consolidated Financial Statements

ELMWOOD BANCORP, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30, 1992	1991
	(In thousands)	
Operating Activities:		
Net income (loss)	$ 537	($125)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for losses	180	444
Provision for depreciation and amortization	166	198
Deferred and other prepaid loan fees	267	(18)
Amortization of:		
Loans and mortgage-backed security premiums and discounts	16	42
Goodwill	51	51
Mortgage-backed securities gains and losses	(23)	-
(Increase)decrease in interest receivable	(61)	499
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Net other	(8)	(68)
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Investing Activities:		
Proceeds from sale of mortgage-backed securities	1,787	-
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Real estate acquired through foreclosure	(259)	-
Investment portfolio	969	(7,743)
Principal collected on longer term loans	30,423	23,844
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Purchases of premises and equipment	(108)	(36)
Net cash used by investing activities	(9,223)	(2,170)
Financing Activities:		
Net increase in demand deposits, NOW accounts and savings accounts	13,593	4,941
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Increase in advances from borrowers for taxes and insurance	628	296
Dividends paid to stockholders	(116)	(116)
Repayment of other borrowed money	(6)	(600)
Net cash provided by financing activities	13,298	7,129
Increase in cash and and cash equivalents	5,003	5,801
Cash and cash equivalents:		
At beginning of year	16,502	14,291
At end of period	$21,505	$20,092
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 5,553	$ 6,551
Cash paid during the period for taxes	$ 242	$ 161

See Notes to Consolidated Financial Statements

ELMWOOD BANCORP, INC. and SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

In the opinion of management of Elmwood Bancorp, Inc. (the "Company") the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position as of June 30, 1992, the results of operations for the Company and Elmwood Federal Savings Bank (the "Savings Bank") for the six and three month periods ended June 30, 1992 and 1991, respectively, and their cash flows for the six month periods ended June 30, 1992 and 1991, respectively.

These interim financial statements should not be considered as indicative of the results expected for the full year ending December 31, 1992.

2. Reorganization

On June 30, 1992, the Savings Bank completed its reorganization into the holding company form of organization whereby the outstanding shares of common stock, $1.00 par value per share, of the Savings Bank were converted, by operation of law, into shares of common stock, $.01 par value per share, of the Company and the Savings Bank became a wholly owned subsidiary of the Company. Consequently, the accompanying unaudited financial statements for 1991 are financial statements of the Savings Bank.

3. Principles of Consolidation

The consolidated financial statements include the Company and its wholly owned subsidiaries: the Savings Bank, Elmwood Financial Management Corporation, Elmwood Capital Corporation, Elmwood Weston Corporation, Elmwood Exton Corporation and Elmwood Smithbridge Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation. The principal activities of Elmwood Weston Corporation, Elmwood Exton Corporation and Elmwood Smithbridge Corporation are real estate joint ventures. The investments in these ventures are accounted for under the equity method.

4. Investment Securities

A comparison of cost and approximate market value of investment securities is as follows: (In thousands)

	June 30, 1992 (unaudited)		December 31, 1991	
	Cost	Approximate Market Value	Cost	Approximate Market Value
Federated Liquid Asset Trust	$ 202	$ 202	$ 199	$ 199
Commercial Paper	-	-	2,974	2,974
Federal Agency Securities	2,002	2,008	-	-
	$2,204	$2,210	$3,173	$3,173

The Company has the intent and ability to hold these securities to maturity. At June 30, 1992, neither disposal nor conditions that could lead to a decision not to hold these securities were reasonably foreseen.

5. Loans Receivable - net

Loans receivable at June 30, 1992 and December 31, 1991 consist of the following:

	June 30, 1992 (unaudited)	December 31, 1991
	(In thousands)	
Residential mortgages	$128,333	$125,670
Commercial mortgages	6,888	7,599
Construction loans	4,670	7,409
Land loans	4,607	5,762
Savings account loans	1,044	1,104
Home equity loans	10,192	9,670
Lines of credit	12,032	12,305
Automobile and other	2,667	2,647
Total	170,433	172,166
Undisbursed portion of loans in process	(1,646)	(2,804)
Discount on loans acquired	(37)	(50)
Unearned discounts on home improvement loans	(7)	(8)
Deferred loan fees	(421)	(155)
Allowance for loan losses	(1,426)	(1,678)
Loans receivable, net	$166,896	$167,471

As of June 30, 1992 and 1991, the Company and the Bank serviced for others whole first-mortgage loans totaling approximately $18,357,000 and $23,849,000, respectively.

The following is a summary of changes in the allowance for loan losses for the six months ended June 30, 1992 and the year ended December 31, 1991.

	June 30, 1992 (unaudited)	December 31, 1991
	(In thousands)	
Balance, beginning of period	$1,678	$1,801
Provision for loan losses	180	714
Charge-offs, net	432	837
Balance, end of period	$1,426	$1,678

6. Mortgage-backed securities

The amortized cost and estimated market value of mortgage-backed securities at June 30, 1992 (unaudited) and December 31, 1991 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
		(In thousands)		
June 30, 1992				
GNMA Certificates	$2,345	$ 100	$ 8	$2,437
FNMA Certificates	6,231	64	28	6,267
FHLMC Certificates	27,516	490	89	27,917
Collateralized mortgage obligations	4,023	7	26	4,004
Other	199	2	-	201
	$40,314	$ 663	$151	$40,826
December 31, 1991				
GNMA Certificates	$ 2,439	$ 126	$ --	$ 2,565
FNMA Certificates	2,595	97	8	2,684
FHLMC Certificates	20,030	787	58	20,759
Collateralized mortgage obligations	4,863	25	--	4,888
Other	315	--	--	315
	$30,242	$1,035	$ 66	$31,211

The Company has the intent and ability to hold these securities to maturity. At June 30, 1992, neither disposal nor conditions that could lead to a decision not to hold these securities were reasonably foreseen. For the six months ended June 30, 1992, the Company sold mortgage-backed securities with a book value of $1,853,543 for a realized gain of $22,988. No such sales occurred for the year ended December 31, 1991.

7. Deposits

Deposits consist of the following major classifications as of June 30, 1992 and December 31, 1991.

	June 30, 1992 (unaudited)	December 31, 1991
	(In thousands)	
NOW accounts	$31,408	$27,227
Savings accounts	42,936	34,861
Money market demand accounts	20,380	19,043
Certificates of deposit	120,413	121,214
Total deposits	$215,137	$202,345

8. Other Borrowed Money

On May 1, 1987, the Bank purchased a branch facility and secured a mortgage of $226,000. The mortgage bears interest at 10% fixed and matures in June, 1997. The balance on the mortgage at June 30, 1992 was $177,357.

9. Commitments

A summary of fixed and variable rate commitments at June 30, 1992 follows:

	Fixed Rate	(Unaudited) Variable Rate	Total
		(In thousands)	
Commitments to:			
Fund Loans	$ 255	$ 2,132	$2,387
Loans in process:			
Construction Loans	-	1,646	1,646
Equity Lines of Credit	-	9,871	9,871
Total	$ 255	$13,649	$13,904

These commitments are expected to be funded within one year. The Company issues commitments under the same loan policies and guidelines as funded loans.

10. Earnings per share

Earnings per common share were calculated by dividing net income for the period by the weighted average number of shares of common stock and common stock equivalents (option plan shares) outstanding for the respective periods. This amounted to 1,459,125 shares at June 30, 1992 and 1991 for both the six and three month periods. Stock options granted to directors and officers are common stock equivalents. However, these common stock equivalents did not have a dilutive effect on the earnings per share calculations.

11. Regulatory Capital Requirements

The Bank must maintain: (i) core capital equal to 3% of adjusted total assets, (ii) tangible capital equal to 1.5% of adjusted total assets, and (iii) total capital equal to increasing percentages (i.e. currently 7.2% increasing to 8.0% on December 31, 1992) of risk-weighted assets.

At June 30, 1992, the Bank had the following ratios:

	Tangible Capital	Core Capital	Risk-Based Capital
	(Dollars in thousands)		
Total regulatory capital	$20,161	$21,692	$22,844
Minimum required capital	3,598	7,197	10,318
Excess regulatory capital	$16,563	$14,495	$12,526
Regulatory capital as a percentage	8.40%	9.04%	15.94%
Minimum capital required as a percentage	1.50%	3.00%	7.20%
Regulatory capital as a percentage in excess of requirement	6.90%	6.04%	8.74%

Management believes that, under the current regulations, the Bank will continue to meet its minimum capital requirements in the coming year. However, events beyond the control of the Bank such as increased interest rates or a downturn in the areas where the Bank has most of its loans, could adversely affect future earnings, and consequently, its future capital levels.

12. Stockholders' Equity

Stockholders' equity of the Company at June 30, 1992, reflects the par value adjustment for the reorganization to a holding company from $1.00 per share to $.01 per share.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Highlights

Financial Condition Data:	June 30, 1992 (Unaudited)	December 31, 1991
	(In thousands)	
Total assets	$240,175	$226,814
Loans receivable, net	166,896	167,471
Mortgage-backed securities	40,314	30,242
Investment securities and other earning assets (1)	23,388	19,854
Deposits	215,137	202,345
Other borrowings	177	183
Stockholders' equity	22,056	21,635

Other Data:	Six months Ended June 30,		Three months Ended June 30,	
	1992	1991	1992	1991
Return (loss) on average assets	.46%	(.11)%	.46%	.26%
Return (loss) on average equity	4.92	(1.17)	4.94	2.79
Average equity to average assets	9.42	9.59	9.34	9.43
Interest rate spread	3.26	2.76	3.39	2.82
Net yield on interest earning assets	3.60	3.34	3.71	3.25
Other expenses to average assets	2.93	3.12	2.93	3.04

(1) Consists of interest-bearing deposits, federal funds sold, investment securities and Federal Home Loan Bank stock.

Financial Condition

At June 30, 1992 total assets amounted to $240.2 million compared to $226.8 million at December 31, 1991. This represents an increase of $13.4 million or 5.9%. This increase was principally funded by a $12.8 million increase in deposits to $215.1 million at June 30, 1992 from $202.3 million at December 31, 1991. Due to management's continued emphasis on first-mortgage lending and other lower risk investments, mortgage-backed securities increased $10.1 million or 33.4% to $40.3 million at June 30, 1992. Although loans receivable-net decreased $600,000 or .4% to $166.9 million at June 30, 1992 from $167.5 million at December 31, 1991, residential mortgages increased $2.6 million or 2.1% in the first six months of 1992 to $128.3 million and home equity loans increased $500,000 or 5.2% to $10.2 million in that same time frame. Interest-bearing deposits increased $4.5 million or 30.8% to $19.1 million at June 30, 1992 from $14.6 million at December 31, 1991.

Total liabilities at June 30, 1992 amounted to $218.1 million at June 30, 1992 compared to $205.2 million at December 31, 1991, an increase of $12.9 million or 6.3%. As noted above deposits increased $12.8 million or 6.3% in the first six months of 1992. The most

Financial Condition (continued)

significant increases were in savings account balances of $8.0 million and checking balances of $4.2 million. Advances by borrowers for taxes and insurance increased $600,000 to $1.7 million at June 30, 1992. This represents a normal increase in this time period.

Stockholders' equity increased $421,000 or 1.9% to $22.1 million at June 30, 1992. This increase resulted from net income for the six month period of $537,000 offset by a dividend paid to stockholders of approximately $116,000 on May 13, 1992.

Results of Operations

Net income for the six month period ended June 30, 1992 amounted to $537,000 compared to a net loss of $125,000 for the comparable period in 1991. For the three month period ended June 30, 1992 net income amounted to $271,000 compared to $149,000 for the three month period ended June 30, 1991. For the six and three month periods ended June 30, 1992 compared to the same respective periods in 1991, the increase in net income principally resulted from improved interest rate spreads. Also in the six month period ended June 30, 1992, the improvement in net income resulted from a $264,000 reduction in the loan loss provision from the prior period.

Net interest income before provision for loan losses increased by $591,000 or 17.2% and by $336,000 or 19.1% for the six and three month periods ended June 30, 1992, respectively, compared to the same periods in 1991. For the six month period ended June 30, 1992 compared to the same period ended 1991, average interest rate spread increased 50 basis points to 3.26% from 2.76%. In addition, average net interest earning assets in the first six months of 1992 amounted to $15.3 million compared to $14.4 million for the comparable period in 1991, an increase of $900,000. Also, in the first quarter of 1991 an adjustment of $194,000 against interest income was recorded representing an addition to the reserve for uncollected interest to provide for all interest 90 days or more past due. No such adjustment was necessary in 1992. For the three month period ended June 30, 1992 compared to the same period in 1991, average interest rate spread increased 57 basis points to 3.39% from 2.82% and average net interest earning assets in the three month period ended June 30, 1992 amounted to $15.5 million compared to $14.5 million for the same period in 1991, an increase of $1.0 million.

Provision for loan losses for the six and three month periods ended June 30, 1992 amounted to $180,000 and $105,000, respectively, compared to $444,000 and $60,000 for the same respective periods ended June 30, 1991. The Board of Directors and management determine the provision for loan losses based on a regular review of its loan portfolio. An asset classification committee consisting of management personnel and a member of the Board of Directors meet quarterly to review all assets. When evaluating credit and asset risk, the Board

Results of Operations (continued)

and management consider factors such as market conditions, industry standards, delinquent loans, reconcilability through repayment, adequacy of underlying collateral, when appropriate, and prior loss experience. Current appraisals are obtained for all loans 90 days past due. The Company's Board of Directors and management believe that its present allowance for possible loan losses is adequate as of June 30, 1992, based on information available at that time. However, further additions to the provision may be needed, given the uncertainty of the economy, and the real estate market in this region.

Total other income for the six and three month periods ended June 30, 1992 amounted to $482,000 and $232,000, respectively, compared to $551,000 and $269,000 for the six and three month periods ended June 30, 1991. The decrease of $69,000 or 12.5% for the six month period and $37,000 or 13.8% for the three month period from the prior periods resulted principally from lower income derived from joint venture activity as well as lower other income. Income derived from joint venture activity is earned as joint venture built properties are sold and settled. For both the six and three month periods ended June 30, 1992, fewer joint venture built units were sold compared to the same periods ended June 30, 1991. This resulted in a $36,000 and $17,000 decrease in the six and three month periods ended June 30, 1992, respectively, compared to the same periods in 1991. Other income, which consists mainly of mortgage servicing fees, mortgage satisfaction fees, late charges assessed on mortgage payments and fees earned on the sale of official checks, money orders and travelers' checks decreased $50,000 or 30.3% for the six month period ended June 30, 1992 compared to the same period in 1991 and decreased $27,000 or 33.3% for the three month period ended June 30, 1992 compared to the same period in 1991. Income derived from the items mentioned above is dependent on activity levels and will fluctuate as said activity fluctuates. Also, for the six and three month periods ended June 30, 1991, respectively, the Company earned $37,000 and $11,000, respectively in fees relating to the sale of insurance and investment related services through a third party and discontinued providing this service in July of 1991. As a result no corresponding income was earned in 1992.

Total other expenses for the six and three month periods ended June 30, 1992 amounted to $3.44 million and $1.78 million, respectively, compared to $3.49 million and $1.72 million for the same respective periods in 1991. This represents a decrease of $55,000 or 1.6% for the six month period ended June 30, 1992 compared to the same period in 1991 and an increase of $60,000 or 3.5% for the three month period ended June 30, 1992 compared to the three month period ended June 30, 1991. Compensation and benefit costs amounted to $1.55 million and $798,000,

Results of Operations (continued)

respectively, for the six and three month periods ended June 30, 1992 compared to $1.5 million and $753,000 for the comparable periods in 1991. The increases in both reporting periods principally resulted from normal salary increases and the increased cost of health insurance. In both reporting periods reductions in occupancy expense, data processing costs, bank charges and marketing costs resulted from efforts to contain costs wherever possible. Professional fees increased $74,000 or 88.1% and $28,000 or 66.7% for the six and three month periods ended June 30, 1992 compared to the six and three month period ended June 30, 1991. In both periods the increase principally resulted from higher legal costs associated with the disposition of non-performing loans as well as the preparation of proxy materials for the annual meeting of shareholders. Other expenses amounted to $510,000 and $299,000, respectively, for the six and three month periods ended June 30, 1992 compared to $562,000 and $238,000 for the six and three month periods ended June 30, 1991, respectively. The 1992 reporting periods include a one time charge of $80,000 representing the contract settlement of a prior employee.

For the six and three month periods ended June 30, 1992 income tax expense amounted to $348,000 and $177,000 respectively, compared to $169,000 and $105,000 for the same periods in 1991. Income tax expense is affected by the level of pre-tax income generated in the respective period as well as the effective tax rate.

Liquidity and Capital Resources

At June 30, 1992 stockholders' equity amounted to $22.1 million or 9.2% of total assets, as compared to $21.6 million or 9.5% of total assets at December 31, 1991.

The Bank is required to maintain specific amounts of capital pursuant to federal regulations. Each savings institution must maintain tangible and core capital equal to at least 1.5% and 3.0% respectively, of its adjusted total assets. In addition, each savings institution must maintain total capital equal to at least 7.2% of its risk-weighted assets. The risk-based capital ratio increases to 8.0% of risk-weighted assets on December 31, 1992.

Tangible capital includes common stockholders' equity (including retained earnings), noncumulative perpetual preferred stock and related surplus, and minority interest in the equity accounts of fully consolidated subsidiaries, minus intangible assets such as goodwill, certain amounts of purchased mortgage servicing rights and, as a general matter, equity and debt

Liquidity and Capital Resources (continued)

investments in subsidiaries which are engaged in activities not permissible for a national bank (subject to phase-out that began on July 1, 1990).

Core capital is essentially the same as tangible capital except that during a transitional period, qualifying supervisory goodwill in amounts up to 1.5% of total assets may also be included in calculating the core capital requirements. At June 30, 1992 the Bank had goodwill of $1,531,138 which qualified as supervisory goodwill. Investments in, and extensions of credit to subsidiaries not engaged in activities permissible for national banks must generally be deducted from core capital with certain exemptions. A declining percentage of the aggregate amount of investments in, and extensions of credit to subsidiaries engaged in activities not permissible for national banks, beginning with 10% on July 1, 1990, to 100% on July 1, 1994, must be deducted from the Bank's core capital.

Under the risk-basked capital regulations, total capital consists of the sum of core and supplementary capital. For purposes of computing total capital, supplementary capital cannot exceed core capital, as previously defined. Supplementary capital includes (i) permanent capital instruments such as cumulative perpetual preferred stock, perpetual subordinated debt, and mandatory convertible subordinated debt (ii) maturing capital instruments such as subordinated debt, intermediate-term preferred stock and mandatory redeemable preferred stock, subject to an amortization schedule, and (iii) general valuation loan and lease loss allowances up to 1.5% of risk-weighted assets (1.25% on and after December 31, 1992). The risk-based regulation assigns each balance sheet asset held by a savings institution to one of five risk categories based on the amount of credit risk associated with that particular class of assets. Assets not included for purposes of calculating capital are not included in calculating risk-weighted assets. The categories range from 0% for cash and U. S. Government securities that are backed by the full faith and credit of the U. S. Government, to 200% for repossessed assets, or certain assets more than 90 days past due.

Failure to comply with the capital requirements could cause federal regulators to prohibit asset growth and capital distributions and ultimately require the Bank to be placed in conservatorship or receivership. At June 30, 1992 the Bank's capital ratios exceeded all required regulatory minimums.

Under applicable federal regulations, the Bank is required to maintain cash and eligible liquid investments in an amount equal to at least 5% of net withdrawable deposits and borrowings payable within one year. The Bank's liquidity ratio averaged 11.00% for the six months ended June 30, 1992. Management

Liquidity and Capital Resources (continued)

believes that the Bank's present liquidity is adequate to meet its funding and other commitments.

The Bank's principal sources of funds are savings deposits, repayments of outstanding loans, FHLB advances and other borrowings. The Bank uses such funds primarily to meet its ongoing commitments to fund maturing certificates and savings withdrawals, fund existing and continuing loan commitments and maintain its liquidity.

The Bank's liquidity, represented by cash and cash equivalents, is a product of its operating activities, investing activities and financing activities. These activities are summarized below. (Unaudited)

	Six Months Ended June 30,	
	1992	1991
	(In thousands)	
Cash and cash equivalents at beginning of period	$16,502	$14,291
Operating activities:		
Net income (loss)	537	(125)
Adjustments to reconcile net income (loss) to net cash provided by operating activities	391	967
Net cash provided by operating activities	928	842
Net cash used by investing activities	(9,223)	(2,170)
Net cash provided by financing activities	13,298	7,129
Net increase in cash and cash equivalents	5,003	5,801
Cash and cash equivalents at the end of period	$21,505	$20,092

Cash was generated by operating activities in each of the above periods. For the six month periods ended June 30, 1992 and 1991 cash was generated from net income enhanced by an increase in the provision for loan losses, depreciation and amortization.

The primary source of additional funds during the six month period ended June 30, 1992 was principal repayments on existing loans which totaled $30.4 million. During the six month period ended June 30, 1992 net loans decreased from $167.5 million at December 31, 1991 to $166.9 million at June 30, 1992. During this period deposits grew by $12.8 million. Additionally, funds during the period were provided by the maturity of investment securities which totaled $3.0 million. Such funds were primarily invested in mortgage-backed securities and other investments

Liquidity and Capital Resources (continued)

including interest-bearing deposits.

The primary source of additional funds during the six month period ended June 30, 1991 was principal repayments on existing loans which totaled $23.8 million. During the six month period ended June 30, 1991 the Bank experienced a lesser demand for new loan originations and net loans decreased $9.7 million. During this period deposits grew $7.6 million. Funds were primarily invested in interest-bearing accounts at the Federal Home Loan Bank of Pittsburgh and in other liquid type investments. Also, funds were used to repay the remaining balance of a collateralized mortgage obligation of $597,000.

During the six months ended June 30, 1992, loan originations amounted to $27.1 million. Loan commitments outstanding at June 30, 1992 totaled $2.4 million. As of June 30, 1992 the Bank had $11.5 million in undisbursed loan funds, $9.9 million of which represented unused lines of credit.

The total amount of savings certificates which are scheduled to mature within the next twelve months is $82.4 million. Management believes that a substantial portion of these maturing deposits will be redeposited at the Bank.

Impact of Inflation and Changing Prices

The Consolidated Financial Statements and related notes presented herein have been prepared in accordance with generally accepted accounting principals, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, substantially all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services, since such prices are affected by inflation to a larger extent than interest rates. In the current interest rate environment, liquidity and the maturity structure of Bank's assets and liabilities are critical to the maintenance of acceptable performance levels.

ELMWOOD BANCORP, INC. and SUBSIDIARIES

Part II: Other information

Item 1. Legal Proceedings

The Company is not involved in any legal proceedings other than legal proceedings occurring in the ordinary course of business. In the opinion of management, the aggregate amount involved in such proceedings is not material to the financial condition or results of operations of Elmwood Bancorp, Inc.

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

A Form 8-K was filed on June 30, 1992 reporting under Item 1 of such Form that the Bank consummated its reorganization into a holding company form of organization whereby the Bank became a wholly owned subsidiary of the Company and stockholders of the Bank became stockholders of the Company. In addition, the Company reported that the common stock, par value $.01 per share, of the Company has been deemed registered under Section 12(g) of the Securities Exchange Act of 1934, as amended, as a result of the reorganization.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ELMWOOD BANCORP, INC.

Date:

By: /s/Philip N. Travaglini
Philip N. Travaglini
on behalf of Elmwood
Bancorp, Inc. and as
Senior Vice President
and Treasurer
(principal financial and
accounting officer)

SECOND QUARTER REPORT

JUNE 30, 1992

ELMWOOD
BANCORP, INC.

Service is our Strength
Growth and Earnings are our Commitment

MESSAGE FROM THE CHAIRMAN

We are pleased to report that on June 30, 1992 Elmwood Federal Savings Bank (the Bank) consummated its reorganization into a savings and loan holding company structure. This reorganization, which will be known as Elmwood Bancorp, Inc., will provide us with the greater flexibility we need to accomplish our future financial goals.

On July 15, 1992, the Board of Directors for Elmwood Federal Savings Bank appointed Richard F. Stipa President, following the resignation of Lewis W. Walters earlier this year.

These major developments, combined with a favorable second quarter, provide the groundwork for an extremely vigorous beginning for the new Company.

On June 30, 1992, Elmwood Bancorp, Inc., reported net income of $271 thousand, or $0.19 per share of common stock for the three months ended June 30, 1992, compared to net income of $149 thousand, or $0.10 per share of common stock for the same period in 1991. This represents an 82% increase in net income. For the six months ended June 30, 1992, net income was $537 thousand, or $0.37 per share of common stock, compared to a net loss of $125 thousand, or a loss per common share of $0.09 for the comparable period in 1991.

The Company's assets increased by 5.9%, or $13.4 million from $226.8 million at December 31, 1991 to $240.2 million at June 30, 1992. Deposits increased by 6.3%, or $12.8 million in the six month period, from $202.3 million at December 31, 1991 to $215.1 million at June 30, 1992.

The improvement in both reporting periods primarily resulted from widening interest rate spreads. For the three month period ended June 30, 1992, the average interest rate spread was 3.41%, compared to 2.79% for the same period in 1991. For the six month period ended June 30, 1992, the average interest rate spread was 3.22%, compared to 2.82% for the first six months of 1991.

Please note that the consolidated statements and financial information prior to June 30, 1992 reflect results of Elmwood Federal Savings Bank and its wholly-owned subsidiaries.

As we move into the third quarter with a stronger, and more profitable company, we thank you for your continued confidence and support. We look forward to presenting our next quarterly report.

Sincerely,

Frank C. Freeman, Chairman

Consolidated Statements of Financial Condition (in thousands)

ASSETS	JUNE 30, 1992 (unaudited)	DECEMBER 31, 1991
Cash and amounts due from depository institutions	$ 2,298	$ 1,798
Interest-bearing deposits	19,082	14,579
Federal funds sold	125	125
Cash and cash-equivalents	21,505	16,502
Investment securities (approximate market value – 1992, $2,210; 1991, $3,173)	2,204	3,173
Loans receivable – net	166,896	167,471
Mortgage-backed securities (approximate market value – 1992, $40,826; 1991, $31,211)	40,314	30,242
FHLB stock – at cost	1,977	1,977
Office properties and equipment – net	1,927	1,985
REO	752	493
Investments in and advances to joint ventures	988	1,094
Excess cost over fair value of assets acquired (goodwill)	1,531	1,582
Accrued interest receivable on:		
Loans	1,081	1,077
Mortgage-backed securities	398	303
Investments	70	108
Prepaid and other assets	532	807
TOTAL ASSETS	$240,175	$226,814
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$215,137	$202,345
Other borrowed money	177	183
Advances by borrowers for taxes and insurance	1,693	1,066
Other liabilities	1,112	1,585
TOTAL LIABILITIES	218,119	205,179
Commitments:		
Stockholders' Equity:		
Preferred stock: 10,000,000 shares authorized, $1.00 par value per share; none issued	—	—
Common stock: 15,000,000 shares authorized, $1.00 par value per share; 1,459,125 issued and outstanding	15	1,459
Additional paid-in capital	11,064	9,620
Retained earnings – substantially restricted	10,977	10,556
Total stockholders' equity	22,056	21,635
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$240,175	$226,814

Consolidated Statements of Operations (Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	1992	1991	1992	1991
	(unaudited)		(unaudited)	
	(in thousands, except per share data)			
INTEREST INCOME:				
Interest on loans	$7,347	$8,347	$3,628	$4,147
Interest on mortgage-backed securities	1,414	943	793	473
Interest and dividends on investments	450	696	174	420
Total interest income	9,211	9,986	4,595	5,040
INTEREST EXPENSE:				
Deposits	5,168	6,372	2,484	3,180
Advances from the FHLB and other borrowed money	22	184	12	97
Total interest expense	5,190	6,556	2,496	3,277
Net interest income before provision for loan losses	4,021	3,430	2,099	1,763
Provision for loan losses	180	444	105	60
Net interest income after provision for loan losses	3,841	2,986	1,994	1,703
OTHER INCOME:				
Loan fees	17	27	11	10
Checking account fees	325	321	166	160
Equity in joint ventures	2	38	1	18
Net gain on sale of investments	23	—	—	—
Other income	115	165	54	81
Total other income	482	551	232	269
OTHER EXPENSES:				
Compensation and benefits	1,552	1,500	798	753
Occupancy expense	542	508	272	305
Professional fees	158	84	70	42
FDIC insurance premium	228	221	114	111
Data processing costs	227	250	107	121
Bank charges	91	107	47	55
Marketing	79	120	46	68
Amortization of excess cost over fair value of net assets acquired	51	51	25	25
Other expenses	510	562	299	238
Total other expenses	3,438	3,493	1,778	1,718
Income before income taxes	885	44	448	254
Income taxes	348	169	177	105
NET INCOME (LOSS)	$ 537	$ (125)	$ 271	$ 149
Earnings (loss) per common share	$ 0.37	$ (0.09)	$ 0.19	$ 0.10

Directors

NICHOLAS F. CATANIA	Real Estate
BRUCE B. CHARLES	Partner, Main Hurdman, Retired
EARLE M. FORD	Public Accountant
FRANK C. FREEMAN	Chairman of the Board, Elmwood Federal
ALLEN S. GREENE	Chairman and CEO, VSB Bancorp, Inc.
WILLIAM S. LATOFF	Principal, Bliss & Co., Ltd.
JOHN M. POWERS, JR.	President, Powers, Craft, Parker & Beard, Inc.
WILLIAM A. SCHMIDT	President, A.J. Schmidt Company
RONALD C. UNTERBERGER, ESQ.	Attorney

Senior Officers

FRANK C. FREEMAN	Chairman and Acting Chief Executive Officer
RICHARD F. STIPA	Executive Vice President and Chief Operating Officer
WALTER P. CHANDLER	Executive Vice President
PHILIP N. TRAVAGLINI	Senior Vice President and Treasurer
RICHARD A. CLARKE	Vice President
EDGAR L. LEWIS	Vice President
LILLIAN M. MASINO	Vice President
R. LEE SMITHAM	Vice President
MARGARET M. STAIRIKER	Vice President
WILLIAM S. LATOFF	Secretary
ESTHER P. PARTRIDGE	General Auditor and Compliance Officer

SOLICITOR
RONALD C. UNTERBERGER, ESQ.
Harper & Driver

AUDITORS
DELOITTE & TOUCHE
Certified Public Accountants

Elmwood Bancorp, Inc.'s stock is traded over the counter and may be quoted through the National Association of Securities Dealers Quotation System (NASDAQ) under the symbol EFSB. Daily quotations are included in the NASDAQ National Market stock tables published in the Wall Street Journal and other leading newspapers.

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Insured
by FDIC

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